



Instituto Superior de Economia e Gestão

UNIVERSIDADE TÉCNICA DE LISBOA

DESDE 1911

MESTRADO

ECONOMIA INTERNACIONAL E ESTUDOS EUROPEUS

TRABALHO FINAL DE MESTRADO

DISSERTAÇÃO

DENMARK - ROOTS OF A BALANCED ECONOMY

CÁTIA SIRGADO MARTINHO

SETEMBRO - 2012



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Introduction

After almost two years working for the Danish representation in Lisbon there was a clear curiosity about the Denmark's recent historical decisions which have lead the country to economically perform as it presently does.

The reasons behind the current energy related policy, the competitive business environment or the trade conducive programmes applied by the Danish Trade Council, all could be considered as interesting research areas for knowledge deepening. Furthermore, such research would entail a learning and knowledge acquisition process useful for the pursuing of my current professional activity. However, prior to the conduction of research in a more narrowed field, there was the need to learn more about the history background and the economy related structures, allowing me to better apprehend the rationales behind Danish economy and to better understand the apparent Danish paradoxes that frequently have crossed my mind and desk:

- Denmark has an export pattern which comprehends around 17% of agricultural products, but still is placed on the upper half of OECD countries, when GDP per capita is considered;
- Is a small and open economy highly dependent on external trade, has the highest unit labour cost in Europe and an export pattern dominated by low and medium-innovation intensity products, but registers an export value equivalent to 54% of its GDP and a current account surplus worth 5.5% GDP.
- Is an economy which rests in high taxes, high public spending, little wage dispersion, and where 70% of the labour force is member of a trade union, but at the same time, is ranked by the World Bank as the easiest place in Europe to do business in 2012 (and 5th, when 183 countries are considered), is placed 9th in the Global Competitiveness Report, and 3rd in the Global Enabling Trade Report.

During the 1980/90s Denmark has succeeded in resolving macroeconomic imbalances, that had been worsened during the 1970s, and in reorienting the economy to exports. Nowadays, despite having been seriously affected by the most recent global, Denmark has managed to keep its deficit and unemployment rates below the EU25 average.

The problem defined to conduct this research was *What reasons explain the Danish economy's performance in the latest years?* And, in order to find the answer, two research questions arose naturally:

- **How did the Danish economy perform from the 1950s until 2010/11?**

To better understand the roots of the present macroeconomic performance, there was the need to go back in time and try to trace the origins of the modern Danish economy. After an historical introduction, the 1950s will be a starting point. The analysis will go through the 1970s, where several economic imbalances were built up, passing by the 1980/90s where economic reforms reoriented the country towards fiscal sustainability, export and economic growth. The outline will end in the 2000s, where, after a period of consistent growth, Denmark is hit by the international economic crises, and later, in 2011, establishes its strategies for the fiscal sustainability to be ensured in the coming years. While having a look at the policies put forward, some of the historical happenings that have underpinned the indicators' performance will also be identified. The export pattern and the investment on renewable energy and environmental policies will also be considered by the end of this chapter, as both are current sources of economic growth and job creation for the country.

What other specific factors, apart from governmental policies and historical happenings, explain Denmark's economic performance?

After outlining the macroeconomic evolution, there is the need to search for the structural elements that have contributed for such performance. Selected features of the Danish economy,

and the extent in which they have shaped Denmark's economic performance and helped Denmark facing globalization and changing environments, will be considered: the famous flexicurity system, combining a flexible and self-regulated labour market with a strong social support in case of layoff; the predominance and importance of SMEs, considered the cornerstone of Danish business and major source of innovation and job creation; and the education system, understood to be part of Danish society's backbone, as it is responsible for raising autonomous citizens and workers that match the needs of Danish employers. A set of elements, which international trade organizations have referred as having contributed to Denmark's overall friendly business environment, will also be listed. At the end, a note on the specificities of social fabrics and on how they shape the Danish economy will be added. All the five selected elements demonstrate they provide the Danish economy with positive outputs contributing to Denmark's overall performance.

Along this research process further problems arose and were thought to be worth a thorough investigation. The present work will end with the disclosure of such topics for future investigations.

1 – Literature Review

Academic literature about Denmark's economic performance in the latest years and about policies, historical happenings and other underpinning factors is not vast. Four papers found relevant will be considered in this work. Out of these four, only two of them strictly analyse the role of some of Denmark's peculiarities in conditioning the Danish economic performance. The two others consider those specific features under the light of different frameworks of analysis.

Campbell and Pedersen, in 2005, wrote *The varieties of capitalist and hybrid success: Denmark in the global economy*. This paper aims at deconstructing the concept that capitalist economies that succeed the best are the ones whose institutions fit either the liberal market economy (LME) or the coordinated market economy (CME) types and that countries whose institutions are mixed perform less well. The paper uses Denmark as an example of an Economy that has performed as well as any other capitalist countries of purely CME or LME, despite having developed a hybrid form of economy. The research paper concludes that dynamic interaction of elements found in both liberal and coordinated capitalism have contributed to Denmark's success. To explain the performance of Denmark's economy, the authors focus on the hybrid nature of the institutional coordination of labour markets, on vocational training and on skill formation and industrial policy:

- when considering labour markets, the flexibility of hiring and firing is considered a typical feature of LME, whilst the generous security provided to the unemployed is considered a CME characteristic;
- on vocational training and skill formation, Denmark partially resembles a LME, as the focus on vocational training is for the unemployed rather than for the employed population, and the negotiations over the vocational training curriculum are highly decentralized. On the other hand, workers are also very well trained and a continuous upgrade of skills is promoted;

- as for the industrial policy, it was made possible by the existence of a negotiated economy, a traditional feature of the CME, but this negotiated economy went through a process where state functions were decentralized and sometimes even contracted out to the private sector.

The paper concludes that there is no best way to organize a country's political economy and that countries with hybrid form, as is the case of Denmark, can perform just as well as countries with institutions which are typically LME or CME.

Nielsen and Kesting wrote *Small is Resilient – the impact of Globalization on Denmark*, in 2003.

The article analyzes the impact of globalization on the Danish Economy. While analyzing four possible influences of globalization and European integration – the reduction of the repertoire and effectiveness of national economic policy, the pressure for industrial restructuring, the welfare retrenchment and the ideological implications of globalization – the paper focuses both on Denmark as an example of a small European country and as a Scandinavian welfare regime and on Denmark's peculiarities. It concludes that Denmark has changed and adapted to globalization challenges, and that its distinctive national characteristics have allowed it to turn the impact of globalization into a successful strategy for survival. When analyzing the impact of globalization on Denmark's peculiarities, the paper focuses on how conservative-liberal policies did not affect Denmark's strong reliance on negotiation and bargaining; on how Denmark has adopted new structural policies to better answer limits imposed to macroeconomic policies by globalization, and on how important those policies have been in improving the country's overall performance; on how the rapid diffusion of new technologies, the experience-based knowledge, and the flexible networking firms have helped Denmark to maintain and improve its relative position among developed countries in global trade; and when analysing possible ideological changes caused by the pressure of globalization, on how social policies have not suffered any limitations.

To explain the successful ranking of Denmark among the most developed countries, despite Danish companies' specialization in low and medium tech industries, the paper resorts to the experience-based knowledge, to the rapid diffusion of new technologies, to the advanced production equipment and to the Danish design and marketing expertise. However, the paper neglects the growing specialization of Denmark on medium-high and high tech industries such as electrical machinery or pharmaceutical products that have been gaining share both in manufacturing and in export sector.

Both Schwartz, in 2001, and Lundvall, in 2009, draw the reader's attention to the high number of SMEs existent in Denmark.

Herman Schwartz published *The Danish "Miracle". Luck, Pluck or stuck?* in Comparative Political Studies Journal. The paper analyses to what extent the positive performance in Denmark during the 1990s is due to intentional policy behaviour (pluck), to external environmental changes that turn what was dysfunctional institution into a more functional one (luck), or to endogenous dynamics that create unintended changes that accidentally make institutional structures more functional (stuck). The paper analyses the luck, pluck or stuck argument applied to private sector exports and to trade balance, assessing the trend shift away from underperforming trade towards trade surplus, classifying it mainly as a stuck happening. To explain the exports' underperformance, the paper places as an hypothesis that the Danish economy dominated by SMEs mismatched, from the 1960s to the 1980s, an international environment that favoured the production of standardized goods. Recent success would then be caused by a change in world markets that started to favour differentiated goods. This hypothesis is not considered as totally suitable. However, given that Denmark's SME share is even a bit below the EU average, such an argument, if verified, would have to be applied to every EU country which has an SME share just as big as Denmark.

In 2009, Lundvall published “The Danish Model and the globalization learning Economy”. The paper draws lessons from Denmark’s history for developing countries to use on their developing processes. Three major conclusions are drawn from the Danish case: it isn’t necessary for a national economy to be specialized in high technology products and science-based learning in order to grow rich; social capital rooted in high levels of trust constitutes an important source of wealth; and a system where state interacts positively with civil society is able to manage the social and economic transformations necessary to remain successful in global competition. Also in this paper, the high share of SMEs and the existence of only a few large companies are referred as a characteristic of Denmark’s economy, although the author analyses some of the Danish SMEs’ peculiarities.

None of these papers presents a previous assessment of the economy’s behaviour throughout the latest years, nor establishes a relation between the macro performance and the Danish economy characteristics. As such, in the present work an outline of the economic evolution of Denmark from the 1950s will be presented, followed by a set of possible explanatory factors. The SMEs share in Danish economy and the composition of export pattern will be also discussed and updated. As it will be seen in the 3rd chapter, Danish SMEs have some distinctive features from other European SMEs, which might justify Denmark’s performance at production and export levels. However, having an economic environment dominated by SMEs is not a distinctive feature of the Danish economy, as it applies to all EU27 countries.

2 – Denmark's economic performance

2.1 –1864 to 1950

In 1864, and as a result of the Vienna Peace Talks, Denmark had to cede the 3 duchies of Schleswig, Holstein and Lauenburg to Germany, losing one third of its territory and close to half of the population (Lidegaard, 2009). Before, the country had been united to Norway and Sweden under the Kalmar Union ruled by the Danish Queen Margrete I. The union lasted until Sweden broke away in 1523 (Denmark. Ministry of Foreign Affairs. 2003). In 1658 further territories were lost to Sweden in war, and in 1814 Norway abandoned the dual monarchy. Therefore, by 1864 Denmark's territory was a small fraction of the former Kalmar Union. Following this succession of defeats, the nation moved its attention inwards, starting a movement of land reclamation through drainage and dikes construction which made available new arable land for agriculture. At the same time, inspired by the philosophy of Grundtvig, the number of "Folk High Schools" multiplied across the country educating farmers to be both citizens and producers, able to organize themselves in co-operatives and make joint decisions (Lidegaard, 2009). Given the more efficient growing methods introduced by co-operatives and the rising prices, during the "grain sale period" - from the 1830s to mid-1870s - the total value in real terms of Danish grains exports almost doubled (Lidegaard, 2009). Later, the competition from crops in Russia and in the United States, along with better and cheaper means of transportation, caused the price of grains to fall and co-operatives to shift away from plants to livestock. The co-operative movement gradually spread throughout the country and all areas of economic activity, from production to sale. Later, local units progressively joined forces in larger ones. A number of well known and successful Danish companies have their origins in co-operatives (Lidegaard, 2009).

In the 1890s, as industrialization developed in cities and living and working conditions worsened, the Danish Government adopted the Old Age Pension Act and the Social Insurance Act. These first legal acts implemented tax financed, universal free medical services and social assistance in case of illness, and mark the very beginning of the current Danish flexicurity model. In September 1899, after several months of conflict between industrial employers and the rising labour movement, the parties reached an agreement which gave employers the legitimacy to “conduct and distribute work”, and gave trade unions legal recognition. It also established the employees’ right to have their salaries and working conditions determined through collective bargaining in joint contracts. This agreement still defines the modern labour market (Lidegaard,2009) where social partners periodically negotiate collective agreements which cover organized workers.

During the First World War Denmark remained neutral, and even profited from war time economy, as it was able to export to both sides in conflict (Henriksen,2006). Denmark tried to remain neutral during the Second World War, but in 1940 the German army peacefully occupied the country, establishing a policy of cooperation with the Danish government. In 1943, the government resigned and an armed movement of resistance to the German occupation developed. By the end of the war, Denmark was recognized as an ally, was a founding member of the UN, and joined NATO in 1949. A generous financial assistance received under the Marshall Plan triggered industrialization and a huge modernization of the Danish farming from the mid 1950s (Denmark.Ministry of Foreign Affairs.2003).

2.2- Macro-Economic evolution, 1950-2010

Agriculture was dominant in Danish Economy until the 1950s. Consequently agricultural products weighted 63% of total exports. At the time, international trade in agricultural products was still mainly regulated and this fact, together with the 1949 British devaluation (which was followed by

Denmark), the Korean War in 1950, and the Suez Crisis in 1965, caused Denmark to register, between 1950 and 1957, a growth performance which was below the Western European average (Henriksen,2006). By 1963 the value of industrial exports surpassed that of agriculture (Hjulsager & Pedersen,2002).

The period between 1960 and 1973 registered high economic growth and full employment. The tight labour market provoked a major increase of women participation in the labour force to answer market needs and forced wages to go through significant growth (Hjulsager & Pedersen,2002). The entering of married women in the workforce triggered an expansion of public day care facilities and an increase in the number of public employees hired to answer the families' needs (Henriksen,2006). A stronger welfare state¹ and a larger public sector led to sharp increases in public expenditure from the 1960s, which as % GDP exceeded that of most countries (Henriksen,2006).

In 1973, the first oil crisis caused an international recession and a period of low growth and rising unemployment in the Danish Economy. The government applied some changes in fiscal policy to counteract the recession. The result was an appreciation of the currency and, given that international trade didn't recover, further deterioration of the balance of payments. The budget deficit which had been registered since 1963 was aggravated (Hjulsager & Pedersen,2002). From 1973 to 1982 the public sector continued to grow, creating 333,000 new jobs, and unemployment rose by 10 times (Lidegaard, 2009). Low economic growth, averaging less than 2% a year paired

¹ The 1950s marked the beginning of the construction of the modern Danish welfare state. Through a set of reforms, the welfare system became tax financed, with universal social security organized in a rational way. In 1956 reform a pension scheme for everybody was introduced, dismissing the exclusion of the well-off (Christiansen & Petersen,2010). According to Christiansen and Petersen, the 1956 reform was the beginning of the universalism in Danish social security.

with high wage inflation (Hjulsager & Pedersen,2002) and competitiveness deterioration. This scenario was worsened by the second oil crisis. Despite the measures implemented to face the crisis economic activity fell both in 1980 and 1981 (Hjulsager & Pedersen,2002).

By 1982, successive budget deficits over more than two decades had led to the accumulation of foreign debt, and interest rates had reached record high levels (Veld, 1992). The scenario led to the Social Democratic government resignation in September 1982. A coalition led by conservatives stepped in and initiated a tight incomes policy, which included suspending the indexation of pay and benefits in force (Hjulsager & Pedersen,2002). The stabilization package of 1982 also included the establishment of wage increases ceiling, the reduction of public expenditure and the adoption of a fixed exchange rate policy in relation to the European Monetary System basket² (Veld,1992). The goal was to stimulate a strong expansion of production and employment in the private sector, to reduce the size of the public sector and to improve Denmark's external position. This fixed exchange rate policy contributed to a dramatic decline in interest rates and wage inflation (Veld,1992).

Lower interest rates led to the rise of property prices, increased private expenditure and greater investment until 1986. From 1983 until 1986 annual economic growth averaged over 3.5%, and in 1987 unemployment fell below 8%, being the second lowest in the European Community. In 1986/87, and for the first time since 1975, there was budget surplus (Hjulsager & Pedersen,2002). However a weak productivity performance, a continued rise in unit labour costs (more than in Denmark's main trading partners) and an appreciation of the Danish Krone deteriorated the competitiveness of Danish exports, while imports were boosted by a strong

² Following the breakdown of the Bretton Woods Agreements in 1971, Denmark became part of the European Exchange Rate Mechanism and adopted a crawling peg vis-à-vis the Deutsch Mark. In 1972, Denmark entered the Snake Agreement (1972-1979) and, later on, the European Monetary System (Veld,2009).

growth of private consumption (Veld,2009). In 1986 Denmark reached a record deficit in balance of payments and a record foreign debt (Hjulsager & Pedersen,2002).

The government responded with a new reform, the “Potato Diet”. This package consisted of deflationary policy measures, including a tax on consumer loans, to tighten fiscal policy and curb credit-financed consumption. The deflationary measures resulted in two years of negative GDP growth in 1987/88. Consume levels dropped and exports grew, generating an improvement in external position. In 1990 there was a surplus in balance of payments for the first time in 27 years and Denmark was able to start repaying its foreign debt (Hjulsager & Pedersen,2002).

At home unemployment rose to almost 10%, and the recession was worsened by an international slowdown at the beginning of the 1990s which diminished export potential to markets such as Great Britain and Sweden. Nevertheless, this effect was partially offset by the reunification of Germany in 1990-91 and an increase in exports to that country(Hjulsager & Pedersen,2002).

In 1993 a coalition led by the Social- Democrats stepped in. As a way to stimulate production and employment it abolished various measures that were part of the “potato cure”, causing a rise in the economic activity (Hjulsager & Pedersen,2002). The government’s programme also addressed the unemployment issue through social security policies. The government approved measures such as: the “Home Service Scheme”, aimed at reducing unemployment transfers through the creation of subsidized low wage employment (Nielsen & Kesting,2003); a transitional early retirement scheme for people in their fifties; and the tightening of both the eligibility criteria for social benefits and the period during which the unemployed could receive benefits.

A fundamental change in the social sector, which also took place at this time, was the introduction of the “Activation Policies” (Nielsen & Kesting,2003) which sought to empower the unemployed so they could leave the social security system as fast as possible.

In the following years, economic growth was continually reinforced by a worldwide drop in interest rates and the economy showed low unemployment and a deficit in the balance of payments. In response, the government approved the "Whitsun package"(1998) which contained measures aimed at promoting private savings and tightening the economic policy, such as increased pension contributions, heavier property taxation and more green taxes. The tightening of economic policy caused average GDP growth to fall to 2,5%, private consumption to stay weak and the balance of payments to be in surplus again both in 1999 and in 2000 (Hjulsager & Pedersen,2002).

In 2000/01 Denmark's export growth reflected the weak international economic climate and slowed down from 11.5% in 2000 to around 4% in 2001. However, as Danish exports are, by its characteristics, less sensitive to the business cycles than other European countries' exports, the export market performance met a 5% market share growth (OECD,2002). In late 2001 the unemployment rate had been reduced to 4.5%. The sound economic policy frameworks, which spared the economy from having to deal with internal macroeconomic imbalances, helped Denmark to deal with the crisis in a relatively easy way (OECD,2003).

In January 2001, the government launched the 2010 plan for fiscal sustainability, to ensure that public finances would be on a sustainable footing by 2010. The strategy was to reduce the net debt of central and local government to 15% of GDP by running budget surpluses averaging 1.5%-2.5% GDP. The results would be achieved through expenditure restraint, combined with a real public consumption growth averaging 0.5%/year and an increase of 2.25% in structural employment. The 2010 plan focused on resisting the temptation to spend the fiscal revenue obtained from the circumstantial demographics (OECD,2005).

In 2005 the GDP growth rate was 3% and high budget and current account surpluses were reached. Private consumption, exports and investment were all expanding and unemployment was historically low. Prices in the housing market were rising, making building and construction an attractive business (OECD,2005).

In early 2007 the economy started to slow down, and soon the financial sector was showing signs of weakness. Despite its sound economic policy framework and strong fiscal position, during 2008 Denmark was hit hard by a deterioration of the financial sector, the collapse of world trade, and slowdown of a major property boom. Economic contraction pushed the output down by 7.9% (OECD, 2012d). The Danish financial markets were put under pressure, with banks facing earnings deterioration and loan losses, with 18 smaller financial institutions being taken over or wound up (OECD,2009). Still, in 2008, unemployment reached its lowest level, 3.4%. Later on in 2011, with the Danish economy slowly recovering from the 2007/2008 crisis, thanks to significant expansionary monetary and fiscal policies implemented in 2009 and 2010, new signs of economic crisis showed up. Unemployment rose strongly, and in 2011 it reached 7.4% (OECD, 2012d).

2.3- Preparing the future

The international financial turmoil that affected the Danish economy between 2007 and 2008 has caused the volume index of GDP per capita to diminish. However, Denmark's GDP per capita - of € 42,500 in 2010 (Eurostat,2012b)- is still above the OECD and EU27 average.

Denmark has a costly welfare state which in 2010 entailed the spending of more than 26.1% of GDP on social expenditure and 5.6% of GDP on pension payments. (OECD,2012e). For the welfare arrangement to be sustainable it relies both on high employment rates -73.4% in 2010 - and in high tax revenues. Denmark is the state that collects the biggest share of tax revenues in GDP (48.2% in 2009) (OECD,2012e).

Thanks to low wage dispersion, but mainly to a strong income redistribution through the tax benefit system, Denmark combines high average incomes with an even income distribution. The average person in the top fifth of the distribution earns about 80% more than someone in the bottom fifth (OECD,2005). Annual incomes, in 2010, were distributed more equally than in any other OECD country (except for Slovenia) and the poverty rate was 6%,against an 11% average of OECD (OECD, 2012e).

Having an expensive welfare state, the country faces the challenge of maintaining it while ensuring growth of the population's living standards. Denmark's National Reform Plan, presented in mid 2011, recognizes the structural weaknesses of the Danish Economy and identifies the future challenges for continuous growth to be ensured: strengthen growth potential, either through reforms which increase labour supply or through fostering a higher productivity growth; strengthen Public finances in order to ensure that public budget is balanced in the longer term; and stop unplanned spending, introducing a new spending management system based on bidding spending ceilings for central government, municipalities and regions. If no further reforms to strengthen the general government revenue base are implemented, and even if real consumption growth is reduced by half (compared to the past 30 years levels), there will be public deficit of around 1,25% GDP in 2020 and 2.5% GDP in 2030.

Danish public finances are challenged by enormous constraints as the population ages and work force, and consequently, the tax base, diminishes. On top of that, an ageing population demands more welfare services, forcing the state to employ more workforce for service provision. Public service is consequently enlarged and workers are allocated to functions characterized by low productivity growth (OECD,2005), while the workforce available for recruitment by the private sector diminishes.

Successive governments have, throughout the years, conducted reforms to enlarge labour supply and restrain welfare expenses. For example, in 2010 the duration of unemployment benefits was shortened from 4 to 2 years. From 2014 the early-retirement age will be raised gradually from 60 and the state pension age will rise from 65 (Forest & Jones,2012).

Along with increasing the labour supply there is also the need to expand the growth potential by fostering the productivity of Danish economy. Although Denmark's productivity is near the top of OECD rankings (OECD, 2005), since mid 1990s it has been recording low growth rates. Between 1999 and 2009 Denmark was the OECD country with the second lowest annual rate of productivity growth .The growth in real labour productivity per hour was even negative in 2007/08(Eurostat,2012b). On the other hand, Danish wage competitiveness has been deteriorating since 2000 as wage costs have grown stronger than abroad. Hourly labour cost in the business economy, 34.74€ per hour in 2007, is higher than in other EU27 country (Eurostat,2012b), and manufacturing industry wage costs are only higher in Norway.

On the top of demographic pressures and low productivity growth, the latest financial crisis has weakened public finances. Although the deficit of 1.8% in 2011 was one of the lowest in Europe, Denmark registered deficit for the third year in a row, after several years of budget surpluses. The Economist intelligence unit forecasts it to be around 5% of GDP in 2012, and to start declining in 2013.

As a way to ensure that Danish government securities are still seen as a safe alternative in times of crisis and that interest rates on public debt are not under pressure, Denmark, according to its National Reform Programme is trying to keep public finances sound. The new government, elected in 2011, has introduced some stimuli to the economy and has established ceilings on public spending. The capacity of the government to promote medium-term fiscal consolidation and to achieve a lower deficit will partially depend on the success of the new government strategy

to fund its spending through labour market reforms, to promote employment and expand its tax base (Forest & Jones,2012).

Being a small and open economy, where exports of goods and services are worth 54% of GDP, Denmark has relied on exports, and lately also on the development of an energy policy and energy technology exports, to ensure continued economic growth and job creation. The export pattern and the Danish energy policy will be dealt with in the next two topics.

2.4 - Export Pattern

Denmark's biggest manufacturing specializations are in sectors of machinery and equipment, food products and electrical and optical equipment. The country has a pattern of specialization both in sectors with high innovation intensity, as is the case for pharmaceuticals, and with low innovation intensity, as water transport, agricultural and sea products (European Commission,2011).

There has been some change in the manufacturing trend of specialization: technology-driven industries and sectors with high educational and innovation intensity have been expanding, as is the case for medical equipment, chemicals, biotechnology, climate and environmental solutions, IT, electronics and engineering, while specialization in sectors with low innovation and education intensity as land and water transport, food processing, and metals has been reduced.

In exports, Denmark is said to be strongly specialized in low innovation and medium-low education intensity products (European Commission,2011) .Even so, the largest share of exports in 2010 was in medicinal and pharmaceutical products. General industrial machinery and equipment, Meat and meat preparations and Miscellaneous Manufactured Articles followed. Power generating machinery and equipment appear in 5th place (Denmark.The Trade Council. Analysis Unit.2012).Danish industry has a clear advantage in exports of green tech solutions. Exports of energy technologies and equipment goods meant 12% of total manufacturing exports

in 2009. Denmark is specialized in wind-turbine components, insulation material and energy efficient pumps (European Commission, 2011). In 6th place Articles of Apparel and clothing accessories, appear. (Denmark. The Trade Council Analysis Unit. 2012).

How do Danish exports thrive in the global market?

Danish exports' competitiveness was affected by a 34% increase in nominal unit labour cost between 2000 and 2010, compared to 14% in the EU27. On top of that, the real effective exchange rate rose by 22% (above the EU27 average which was 21%) indicating a loss in cost and price competitiveness (European Commission, 2011). However, exports of goods and services are worth 54% of Danish GDP (World Bank, 2011b) and the current account balance as % GDP has been on positive ground since 1999 reaching the highest level, 5.5%, in 2010 (OECD, 2012e).

During this research, several reasons were found to support the positive trend in Danish exports:

- The production R&D intensity is above the expected given the industry specialization in low and medium innovation intensity sectors. The R&D intensity quality indicators are also above average, with exception of the high price segment in the labour intensive industries. This fact, according to the European Commission (2011), explains how Denmark manages to sustain competitiveness in sectors characterized by low innovation intensity.

- The Danish exports are, by its characteristics, less sensitive to the business cycles than other European countries' exports and thus its market share is quite insensitive to changes in world markets (OECD, 2002). Besides exporting pharmaceuticals and biotechnology products, which are relatively immune to cyclical developments, pork meat is also to some extent insensitive to economic fluctuations and, on top of that, has benefited from a shift in consumer preferences away from beef. As for power generating machinery and equipment, the demand for wind turbines has met a positive trend in the last few years.

-Danish SMEs match fragmented markets that put focus on good design (Shwartz,2001). Production is characterized by a high degree of specialization in niche products, of high technical standard, and intended for professional use as it is the case for hearing aid production, consumer electronics, insulin or environmental technology. The high degree of specialization and its versatile structure are factors which help Danish exports to be less sensitive to the trends in the world markets.

- Some labour intensive industries have found strategies to take the best out of the globalization process. Given the severe price competition coming from Asia the Textile & Clothes industry has resorted to a change in production organization in order to cut production costs and stay competitive. The more work intensive processes were moved to low wage countries and the capital intensive processes such as dyeing, printing, weaving, knitting, spinning, design, logistics and distribution have remained within Denmark. These changes entailed a huge impact on the workforce as overall employment in the industry dropped considerably (Olsen, Ibsen & Weestergard-Nielsen). The industry now concentrates on high quality products and in know-how intensive work functions. The integration of low-income countries in the production chain has allowed Denmark to move its focus to knowledge intensive activities .Although the domestic industry's employment and GDP have fallen, outsourcing has allowed industry GDP per employee to rise (Olsen, Ibsen & Weestergard-Nielsen). In its turn, the flexible labour market has allowed the country to absorb workers who have been laid off during this process (OCDE,2006). As a result, according to the Danish Trade Council (2010), the T&C industry is as competitive as ever.

2.5- Energy Policy and Green Growth

In 1973, in the outbreak of the first oil crisis, 90% of all Denmark's energy needs were covered by imported oil.

From that moment on, to ensure the security of energy supply and reduce the country's dependency on imported oil, Denmark defined a new energy policy around two main vectors: energy efficiency and diversification with the inclusion of renewable sources. In 1979, a programme of incentive to the development of wind industry was implemented, covering 30% of the investment cost and guaranteeing loans for large turbine exports. Wind energy was purchased at a preferential price, and energy taxes were used to finance research and development centres (Lidegaard,2009). Nowadays, the support given to producers (as feed-in-tariffs) and to researchers is passed on to the consumers as a supplement to the market price called PSO³.

Since its beginning, the long term ambitious energy policy has enjoyed strong political consensus, creating a stable environment for investment and for the development of technologies and know how on energy efficiency and energy production (Danish Energy Agency, 2010).

More recently, energy policy has evolved from solving the energy security question to a much wider framework. Denmark pursues a mix of energy and climate policies that also include

³ Considering PSO and other taxes Denmark has the highest taxation of energy among EU countries (Jamet,2012). Decomposing the final consumer price of electricity for households (2010) the energy price represented 20%, the grid payment 11%, the subscription 9%, taxes and PSO meant 40% and VAT 20% (Danish Energy Regulatory Authority.2012). Besides having the highest taxation in the EU 27Denmark had, in 2011, the highest electricity prices in the EU27 (Eurostat,2011).

economic and job growth concerns, investing in green technologies as a potential source of economic growth.

Besides having benefited from a persistent political and commercial focus on energy efficiency, stable market signals and from a strong focus on research and development, as pointed by Jamet(2012), Danish technologies have also benefited from having appeared at a time where the global demand for environmental technologies was rising, and when no cheaper alternatives were available.

The new energy technology solutions have been converted into increased exports (Danish Energy Agency,2010) In 2011 Denmark was the member state in which energy technology constituted the largest share of total goods exports. Energy technology meant nearly 11% of total Danish exports in 2008. The EU27 bought 57.6% of total energy technology exports. (Danish confederation of energy, 2012).

3 – The Underpinning Factors

Along this chapter attention will be paid to some of the factors that authors claim to explain the Danish economy's overall performance in the latest years. The list of factors presented does not intend to be exhaustive, but is rather a selection of features that, during research, were thought to be distinctive features of Denmark. The number of features selected is also conditioned by the standardized extension of this research work. The features chosen were the Danish Labour Market, The Small and Medium enterprises, the Education system, Denmark's business environment and the Danish Social fabrics.

3.1- Danish Labour Market Model

The Danish model of labour market and the flexicurity concept are sometimes understood as synonymous. However, flexicurity is more than a national labour market model, as it can also be found in place in other countries, sharing similar characteristics with the Danish model, but with distinctive marks.

The flexicurity arrangement has been in place since the 1970s (The World Bank,2012a). It combines flexible employment protection legislation- allowing companies to easily downsize their labour force when needed- with the security provided by a generous unemployment benefit given to workers it by layoff. In the 1980s, as the generous unemployment benefits in place and the weak economy left little incentives for the jobless to enter employment, public spending increased considerably. As a consequence, in the mid 1990s a new dimension of labour market was introduced – the active labour market policies (ALMP) (The World Bank,2012a). This introduction marked the beginning of the "flexicurity triangle" model in the Danish labour market. The golden triangle has flexibility for employers to dismiss employees during recession (and hire new employees during prosperity times) on one side, security guaranteed by state and unemployment

insurance on the other side, and active labour policies providing training and incentives for unemployment to re-enter labour market on the remaining side.

For the regulation and implementation of the labour market model, Denmark relies on a tripartite co-operation between trade unions, employers' organisations and the state. Most regulatory issues, as pay, working hours or rules for labour protection, are negotiated and laid down by collective agreements. Those agreements are established between trade unions and employers' organizations, through a collective bargaining system. As long as the social partners are able to regulate working conditions and solve the appearing problems in a responsible manner, the Government doesn't interfere (Hendeliowitz,2008). Agreements between employers and trade unions constitute a more important regulatory mechanism than legislation and government interventions (Eriksson & Westergaard-Nielsen,2007). This system based on social partner's self regulation is only possible given Denmark's high trade union membership rate, which in 2009 was 68.8% (OECD, 2012b).

Behind the Danish model and lax employment protection legislation (EPL) lies the idea that companies should not be forced to maintain a specific workforce if it is not profitable, and that government is responsible for retraining those workers. After training, workers should be more productive and can then be hired by new companies, leading to an increase in society's overall productivity (Eriksson & Westergaard-Nielsen,2007). Mirroring the idea, OECD Employment protection index for Denmark has fallen from 2.4 in 1983 to 1.5 in 2009, and currently the Danish labour market is one of the most flexible in the EU (The World Bank,2012). Its flexibility is even comparable to the one in force in liberal markets as Canada or the US (Hendeliowitz,2008)

A lax EPL means lay-off costs are low. The notice period for a contract's termination is short and severance pay is small. For a white collar worker severance pay is, on average, provided after 20 years of employment, at an average rate of 1.5 month salary, although severance payments can

be negotiated as part of the work contract. For blue collar workers, severance payments are not determined by law, as they are settled by collective agreements (Andersen,2011).

A flexible EPL and a generous unemployment benefit imply that there are many short spells of unemployment. At the same time, flexibility is also associated to an easy exit from unemployment (Anderson,2011). In 2009 the incidence of long-term unemployment in Denmark stood at 9.1% opposed to the OECD weighted average of 23.5% (The World Bank, 2012). As such, Danish labour market is characterized by both high job destruction and creation (Andersen,2011).

To balance unrestricted EPL, the unemployed are covered by a generous welfare system. In order to receive unemployment benefit, workers have to be members of an unemployment insurance fund (UI-fund), traditionally linked to trade union's membership. Employees are part of the UI-fund to which they qualify for via qualifications or regular work in the area. The contributions from employees are the same across all UI funds, and the fund is also financed by the state in a countercyclical way (Andersen,2011). Unemployment benefit replaces a maximum of 90% of the previous wage, in the case of lowest wages. Its maximum duration is of two years, and to be entitled to such a benefit there is the need to work for 12 months(Andersen,2011). University students who finish their Bachelor or Master and do not immediately have a job, are entitled to receive unemployment benefit, provided that they have joined an UI-fund within 2 weeks of having finished their studies.

During the first year, the unemployed receiving a benefit have no other obligation than seeking work. After one year, the recipient must take part in an Active labour market programme. When UI-fund expires, or in case the unemployed is not part of a UI-fund, the individual might be entitled to receive social assistance, managed by the municipalities, which is the same size as the UI but means-tested (Andersen, 2011).

To counter the disincentives created by a generous welfare system Denmark has been strengthening its ALMP. Nowadays, Denmark scores the highest in OECD ALMP index - 4.8 in 2009 (Andersen, 2011). In 2008 2.6% GDP was spent in labor market programmes, while OECD average stood at 1.36% GDP (The World Bank, 2012).

ALMP in Denmark entails measures such as general and vocational guidance, job search assistance, individual job oriented action plans, private and public job training, education, leave schemes, job rotation and pool jobs (Hendeliowitz, 2008). Those measures apply to both unemployed and employed people looking for a job, and both to private and public sector. Nowadays, activation is part of the requirements to be entitled to social transfers. It lowers jobless people's requirements when searching for a job, and makes it more difficult to claim for incentives while not interested in finding a job and or when working in a black market sector (Andersen, 2011).

3.1.1 - Labour Market evaluation

In the last 20 years, unemployment rates in Denmark have gone through dramatic changes and even during the most recent global crisis were kept below the European average. From a peak of 12.4% in 1993, the rate gradually reduced to 3.4% in 2008. Although this has happened under a dynamic and favorable economic climate, several authors consider flexicurity has positively contributed to these developments. Madsen (2006), in Campbell & Perdesen (2005), points that the flexicurity system has contributed significantly to Denmark's relatively low unemployment during the 1990s. Campbell & Perdesen find that flexicurity allowed employers to hire and fire, helped to retrain workers, found them jobs when necessary and supported people in case of job loss providing the economy with the flexibility needed.

Despite some positive assessments, flexicurity dimensions, costs and practical results are not consensual, and critics target the following issues:

-High costs: Danish labour market is expensive and only sustainable due to a labour participation rate which stands next to 80%. For 2008 the cost was estimated to be around 4.5% GDP (The World Bank,2012) a year where unemployment stood at 3.4%.

- ALMP programmes: A large inflow into these programmes might threat the effectiveness of activation policies. When the volume of participants increases, it becomes difficult to find relevant openings in training and targeting the programmes at groups increasingly heterogeneous (Andersen,2011). Furthermore, the high spending in active labour market policies becomes quite ineffective in case of recession, as there may not be enough jobs to employ retrained workers Data from 2008/09 already shows a decline in employment rate after activation (Andersen,2011). Activation policies are also told to have lock in effect as pointed by Rosholm & Svarer(2008), in Andersen(2011), as the unemployed reduce efforts to find a regular job. However, the same study points to a threat/motivation effect from ALMP which tends to shorten the duration of unemployment spells.

- Lax EPL: Its effect on productivity has been questioned and it is still not consensual. However, to the Adalet McGowan & Jamet(2012) there is no clear evidence that lax EPL causes low productivity growth. Although job tenure in Denmark is low (which could disincentive employers from investing in employee training) government, employers and workers still invest in training. Furthermore, high flexibility can be associated with better allocation of labour to more productive companies and thus contribute to higher overall productivity.

- Persistence of unemployment: Some authors have discussed whether it is bigger in countries with a generous welfare state. To Andersen(2011), there is no evidence that countries with a more extended welfare state suffer from more persistence of unemployment. Nevertheless it's a critical aspect for countries as declines in employment will weigh heavily on public finances.

-Macroeconomic performance: Andersen and Svaver(2007), in The World Bank, 2012 point out that it is difficult to measure how much flexicurity has contributed to the improved performance of the labor market, as other factors as macroeconomic performance have to be weighted as well.

3.1.2 -The impact of globalization in the Danish Labour Market

By relying highly on tax revenues to ensure its sustainability while providing generous benefits to the unemployed, the flexicurity system seems vulnerable to stand up both to economic crises, when unemployment rises and the tax base diminishes, and to the globalization movement. Globalization diminishes the state's capacity to tax given the increased mobility of the tax base (Nielsen & Stefan Kesting,2003). This fact leaves social support schemes under aggravated pressure, on top of the extra effort needed to support and compensate workers affected by the processes of economy adjustment. Furthermore, asking for taxes and social security contribution to be reduced as a way to improve global competitiveness is a popular claim from employers (Nielsen & Stefan Kesting,2003).

However, Campbell & Perdesen (2005) note that, although it has been argued that high taxes and government spending have lead to socioeconomic disaster, especially for countries with very open economies, Denmark's case is that high levels of taxation have contributed to its economic performance, as they have financed the development and the maintenance of flexicurity labour market institutions, vocational training and institutional reforms., and have helped Denmark to achieve low unemployment and high GDP per capita. By promoting high levels of employment, Denmark has created a large tax base from where to extract financing for welfare system. Those revenues have also paid for public transportation, telecommunication, IT, R&D and health care system, elements upon which the Danish business relies. Also, as pointed by Scharpf (2000) in Klaus Nielsen & Stefan Kesting(2003), Denmark relies primarily on income taxes rather than on social security taxes and other employer contributions to finance its welfare state.

The flexibility that characterizes the Danish labour market allows employers to face little lay off costs, and employees, thanks to the security dimension, to have the costs of unemployment spells partly covered by generous unemployment benefits. In a way, flexicurity seems to soften globalization's consequences both to employers and employees.

3.2-The Small and Medium enterprises

Danish economy is dominated by small and medium size enterprises which are the main source of economic growth and job creation in Denmark. 99.7% of the existing companies are SMEs- a number which is little lower than the EU27 average of 99.8% (European Commission,2008)- representing 66,3% of total employment (Planet S.A,2010)

SMEs are considered to be the cornerstone of the Danish Economy, and are pointed as one of the main vectors of innovation in Denmark (Lundvall,2007). Despite being specialized in low tech products and in industries which require low or medium R&D intensity, the production in many industries is based upon extensive knowledge inputs (Lundvall,2009). Danish SMEs perform incremental innovation in products, processes and organization, as result of processes of learning by doing, by using and by interacting. Danish SMEs are told to be more engaged in collaboration with customers and competitors than the European average, adapting and improving its products based on the result of the interactions established with costumers and product users (Inno Policy Chart,2009), combined with high level of competence in industrial design and with efficient commercial ability.

Denmark's business R&D intensity is above expected- 1% of GDP above the EU average- given its industrial specialization in low and medium R&D intensity sector (European Commission,2011).Danish business scores also better than EU27 in added value, indicating a higher productivity (European Commission,2011).

Danish SME's are also more internationalized than the average EU SME. Denmark has a much higher percentage of exporters than the EU average. The share of SMEs turnover resulting from exports is 8.4% against EU average of 4.6% and the share of SMEs gaining any income from subsidiaries/joint-ventures abroad is 7% compared to 4.8% of EU average (European Commission, 2011). On its turn, internationally active SMEs are more innovative and report higher employment and turnover growth (EIM,2010).

The characteristics of Danish SMEs above presented are the responsible for the export pattern discussed before, as SMEs represent 99.7% of all companies in Denmark, and which seems to thrive in the world markets.

3.3.-Education

Denmark has a long schooling tradition, as universal compulsory schooling was introduced in 1814. The level of educational attainment in the population is one of the highest in the EU - already in 1997, 80% of the population had completed an upper secondary programme as the lowest level of education.

Probably the most important milestone in the Danish educational system is the introduction of "People's high school"(1852). The folk high schools were inspired on Grundtvig's philosophy. According to Grundtvig, teaching should stimulate the curiosity, educate people to become responsible and enlightened citizens, and stimulate freedom of thought and opinion (Lidegaard, 2009). The major aim was to educate farmers and give them self confidence both as producers and citizens (Lundvall,2007). Nowadays, according to Lundvall (2007), curricula and pedagogical methods applied in schools support communication, cooperative skills, social competence, and ability to accept responsibility, qualifications that meet the requirement of modern companies operating in extremely turbulent environments.

In the Danish education system, the state is responsible for funding and for quality of schooling. Denmark's public expenditure on education in 2008 was 6.5%, compared to the OECD average of 5.9%, and was only surpassed by Norway (OECD,2012e). The programmes at the levels of primary, lower secondary, upper secondary and tertiary education, are free of charge. Students over 18 in upper secondary or tertiary education are entitled to allowances from the state's educational grant and loan scheme (CEDEFOP, 2002).

One of the most distinctive aspects of the education system in Denmark is the vocational training programmes, available both to young students and adults. Those programmes are offered along with general education programmes (which prepare students for admission to tertiary education), providing students with vocational qualifications and allowing direct entry into the labour market.

Denmark has also a long tradition in adult education and continuing training, and public and private spending in lifelong learning are among the highest in the world. Adult education is available at almost all levels in the education system (CEDEFOP,2002). Denmark is also among the countries with the highest level of participation in adult education and continuing training and competence development at work (GHK, 2011). In 2004, 60% of the labour force participated in a learning activity in either public, private or company programmes (Denmark.Danish Ministry of Education.2007) In 2008, 38% of Denmark's citizens participated in continuing non-formal education compared to the OECD average of 34% (OECD, 2012b)

The curriculum of vocational training is worked out through negotiations between unions and employers, and the state assumes many of the costs involved (Campbell &Perdesen,2005). Through collective bargaining, social partners negotiate and establish agreements with companies, concerning competence development at work place, where a very substantial part of the overall learning and competence development takes place (GHK,2011).

As pointed by Campbell & Perdesen (2005), the fast acquisition of new skills by workers forces companies to modernize technologically and improve their production. Danish Companies are thus prepared to adapt to changing markets, to work with specialized niche markets and with a wide variety of customers and to innovate in response to customer's demands and requests.

Lifelong learning and vocational education helps to provide the workforce with skills which match employer's needs, and allow individuals to participate in the labour market throughout their lives, contributing to lower levels of unemployment. According to Adalet McGowan & Jamet (2012) Denmark must prioritize sectors where demand for employment is high, foster the coordination and matching between education and business needs and also improve the quality of existing vocational training programmes.

3.4-Denmark's business environment

Denmark scores well in international rankings related to trade and business, which highlights the strengths of the economy that make the Danish economic setup a business friendly environment. Some of the aspects pointed by these reports have been covered during this chapter. Denmark ranks 3rd in the Global Enabling Trade Report 2012, 5th in the Doing business Report 2012, which points Denmark as the European country where it is easier to do business, 8th in the Global Competitiveness Index 2012 and the Economist Intelligence Unit recently ranked Denmark as the best place to conduct business over the next five years.

Commonly reports consider that Denmark has a business environment highly conducive to trade. They point to the macroeconomic stability, the sound policy towards private enterprise, and to a highly efficient border administration with very efficient customs and border agencies. On the regulatory level, Denmark is said to have a sound regulatory environment and transparent institutional frameworks. Reports also point to good physical infrastructures, such as very dense

ICT penetration, excellent infrastructures for electricity and telephony and very high quality transport.

The flexible labour market is also pointed as a very positive aspect, given the flexibility on wage setting and on firing and, therefore, hiring workers. Denmark is also awarded a first rate assessment for its higher education and training system, which are considered as having provided the workforce with the skills needed to reach a high level of technological adoption and innovation, thus being particularly attractive to businesses .

3.5-The importance of social fabrics in Business

Although not thorough, it is worth mentioning the role of the Danish social fabric in the business and economic performance, as much will be left to say regarding its decisive importance in the working of the welfare state. Certainly a distinctive characteristic of the Danes is that 89% of them express a high level of trust in others, compared to a 59% average (OECD,2011). As pointed by Lundvall(2007), there is a strong correlation between the use of general social welfare programmes and generalized trust. On its turn, the higher trust among agents, combined with the small size of the system, results in a high degree of interaction among agents both within and across organizations. This gives place to processes of interactive learning where new insights about technologies and good organizational practices are diffused rapidly. Another feature typically associated to Danish society is the existence of relatively flat hierarchies across all levels of society. When transposed to business, flat hierarchies are said to enable employees at lower ranks to assume extensive responsibility and to promote efficient production methods at all levels (Lidegaard,2009).

Conclusion

The tightening of economic policies applied in the 1980s followed by 25 years of forward looking and well managed economic reforms have resulted in robust fiscal surpluses between 1999 and 2008, current account surpluses since 1999 and descendent unemployment. The results achieved show that the economy was, through the policies implemented, successfully re-oriented (OECD,2002.) Those reforms have resulted in sound macroeconomic policies, a flexible labour market and a competition-friendly regulatory environment (OECD, 2006) Danish economy was turned into a robust economy without short term macroeconomic imbalances, thus allowing policy makers to focus on long-term issues rather than on cyclical pressures (OECD, 2005). Taking advantage of the healthy economy, the government followed a strategy of debt repayment while demographics are still favourable, before having to deal with demographic pressures (2005) and consequently increased public outlays which might undermine fiscal sustainability.

The recent economic downturns in global economy have hit the Danish economy hard, and in 2012 the economy will face budget deficit for the fourth year in a row. However, Denmark seems well equipped to face economic turmoil: besides a fiscal position considered to be relatively sound, the flexicurity system helps to adjust to shocks and limits the social cost of unemployment and the welfare state ensures low poverty and inequality (OECD, 2012). Still, Denmark has to deal with deteriorating competitiveness, weak productivity growth, a flexicurity system going through its first big test, and a demanding and comprehensive welfare state whose outlays are doomed to increase with an ageing population. To answer the challenges posed by a rapidly ageing population, Denmark focuses on reducing public debt, increasing labour supply and, as the employment rates are already high, enhancing productivity growth. Resort to an income tax increase in order to ensure the welfare sustainability would diminish labour supply and threaten economic growth (OECD, 2003).

Along with the forward looking economic policies implemented, some institutionalized features of the Danish economy were important in the definition of Denmark's economic performance, helping it to succeed. The ones considered in this work were the Danish Labour Market, the Education system, the role of SMEs, the Danish business environment and nature of social fabrics in business. All analysed features were shown to have a positive role in the Danish economic performance.

During this research work two aspects were thought to be worth a thorough research. Firstly the capacity of the flexicurity model to deliver low unemployment figures and to remain financially sustainable under a prolonged period of recession. So far the flexicurity system has delivered impressive unemployment figures. However, the unemployment reduction has happened in an environment of continuous GDP growth. In 2008 Denmark faced a 0.8% GDP contraction, and in 2009 the contraction reached 5.8% GDP. As for unemployment in 2008 it recorded the lowest rate verified during the downward trend started in the 1990s - 3.4%. However, in 2009, unemployment almost doubled to 6% and has continued to grow to 7.6% in 2011. Accessing how these figures will behave in the near future and what impact these will bring to the Danish public finances might provide a good picture of how the Danish flexicurity policy behaves in periods of prolonged recession.

The second aspect is the application of flexicurity to countries other than Denmark. The figures delivered by the flexicurity system have led to the discussion about the possibility of reproducing some of its aspects in other countries. However, as seen before, Danish flexicurity entails big public outlays, workers acceptance of job mobility and a highly egalitarian society in which there are no bad jobs (Knutter,2007). Furthermore, the Danish Flexicurity system has had a favourable outcome, once more, integrated in a growing economy and taking advantage of a setup of elements which are part of Danish economy and to which they provide positive inputs A study on the possibility of application of such a model to Portugal, for instance, could reveal what would be

the dimensions transposable and adaptable to given the specificities of the Portuguese business and social dimensions.

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